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UNCLAS SECTION 01 OF 03 TAIPEI 000638

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STATE PASS TO AIT/W
STATE ALSO FOR EAP/RSP/TC and EB/TPP/MTA/IPC
STATE PASS to USTR for BOLLYKY and ALTBACH
USDOC for 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDOC for USPTO Gin and Browning and Snyder

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C O R R E C T E D C O P Y (VARIOUS MINOR TEXT CHANGES)

E.O. 12958: N/A

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SUBJECT: TAIWAN IPR DIALOGUE: US Raises Concerns about Compulsory Licensing

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Summary

¶1. In a March 6 digital video conference U.S. officials raised concerns about proposed amendments to Taiwan's patent law which would expand the scope of compulsory licensing. USTR likewise raised the "potentially disturbing precedent" of the ongoing Phillips compulsory license case, which is now under investigation by the EU. Taiwan agreed to review U.S. concerns. End Summary.

Introduction

¶2. On March 6, officials from the Taiwan Intellectual Property Office (TIPO), the Department of Health, and the Ministry of Economic Affairs, met via digital video conference (DVC) with officers from USTR, AIT/W, State, Commerce, and USPTO to discuss two proposed amendments to Article 76 of Taiwan's Patent Law and get an update on recent IPR developments in Taiwan. The U.S. team was headed by Tom Bollyky, Director, Intellectual Property and Innovation, USTR. In Taiwan, the discussion was led by Ms. Wang Mei-hua, Deputy Director General of TIPO. This DVC is part of the ongoing bilateral IPR dialogue.

Amcit Legislator Wants More Compulsory Licensing

¶3. The first item for discussion was a proposed amendment to Article 76 of the Patent Act. The amendment was put forward by Chen Min-jen, a member of the Legislative Yuan from the ruling Democratic Progressive Party. He is an American citizen who serves as an overseas representative. The proposed amendment makes the following significant changes to the current law:

--a compulsory license can be issued if it is found that a patent-holder has committed unfair competition "to misuse patent rights" (added language in quotes)

--a compulsory license can be issued after a legal judgment in the first instance, with no need to wait for an appeal.

¶4. During the discussion, USTR asked why the phrase "to misuse patent rights" appeared in the amendment language. This appears to go beyond the existing "unfair competition" language in TRIPS. Is

this new language intending to broaden the conditions for issuing a compulsory license beyond TRIPS, Bollyky asked? TIPO replied that this language was inserted at the request of the legislator proposing the amendment. They agreed to ask for clarification and to pass along U.S. concerns.

15. USTR also expressed concern that the new language allows Taiwan authorities to issue a compulsory license after a court of first instance reached a determination, without the possibility of obtaining a stay of that decision. USTR made clear that this change could be problematic. Taken together with the addition of unclear language that could broaden the conditions for issuance of a compulsory license, this was "a fairly significant degradation of protections for rights-holders in Taiwan," Bollyky stated.

16. Ms. Wang responded that she would pass along U.S. concerns and that TIPO would point out to the legislator that the broader language may not be TRIPS-compliant.

17. USTR also sought to determine how Taiwan addressed the TRIPS Article 31(b) requirement to notify rights holders if a compulsory license was issued. TIPO pointed out that paragraph 3 of Article 76 stipulated that the patentee must be notified in all instances. In addition, judicial or independent review, as required by TRIPS 31(i) is covered by Article 1 of the Administrative Review Act, TIPO noted.

Phillips Case Cause for Concern

18. Bollyky noted that U.S. concerns about this legislation were raised in context of the ongoing Phillips compulsory license case where a local Taiwan company was issued a compulsory license to produce recordable compact disks (CD-R). He asked TIPO for an update on the case. In Taiwan, Phillips is pursuing appeals in

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court and with TIPO. The European Union has also initiated an investigation of the case.

19. Ms. Wang responded that in Taiwan the case is currently moving ahead on two tracks:

--Phillips has filed an appeal to the court decision on April 18, 2006. The case is still pending.

--Phillips has requested that TIPO invalidate the compulsory license because Phillips alleges that the licensee is exporting much of its production in clear violation of the terms of the license. Ms. Wang stated that a commission of experts has been selected to review the case, and they have already met. Commissioners sought additional evidence from both sides which much be submitted by March 20. The next meeting will be held in April. The commission will recommend a course of action, and TIPO will make the final decision whether or not to invalidate the license.

110. Bollyky pointed out that the USG was concerned that the Phillips case was "a potentially disturbing precedent" and asked TIPO to share their decision on the case with the USG. TIPO promised to do so.

Compulsory Licensing of Drugs for Export

111. Separate from the amendment discussed above, TIPO has proposed another amendment to the Patent Act in line with the implementation of paragraph 6 of the TRIPS Agreement and Public Health. This provision allows compulsory licenses to be issued for drugs to be exported to countries lacking sufficient manufacturing capacity to produce their own medicines in response to a public health emergency.

112. USTR asked a number of questions regarding this legislation, carefully noting that the USG does not discourage Taiwan's use of its Doha flexibilities.

113. Bollyky noted that the amendment as written does not require prior negotiation with the rights-holder if a compulsory license has

already been issued in the importing country. TIPO responded that their language was based on wording in Canadian and EU law, but would take another look. Bollyky offered to forward a copy of the Canadian legislation to TIPO via AIT as a potential model for handling this issue.

¶14. The TRIPS General Council decision implementing paragraph 6 requires the importing country, if a WTO member, to make certain formal notifications to the TRIPS Council and certifications to the exporting country (in this case Taiwan). The draft amendment incorporates these requirements for WTO members. In the current draft of the amendment, however, not all notifications and certifications are necessary for non-WTO members. Bollyky asked Taiwan if there was a reason why the amendment does not require non-WTO member to make the equivalent notifications and certifications as WTO members in Taiwan. Again Taiwan agreed to look into the issue.

¶15. USTR also suggested TIPO make explicit provisions for judicial review, which TRIPS calls for. TIPO pushed back, arguing that such an independent review is spelled out under the Administrative Act, so there is no need to incorporate it into the current Patent Law amendment.

¶16. On remuneration, the draft amendment makes specific reference to the United Nations Human Development Index for the importing country as one of the factors used in determining appropriate compensation. USTR noted that this goes beyond what TRIPS contemplates and asked TIPO for its views on the significance of the departure. TIPO stated that the index was for reference only and was also incorporated into the Canadian law.

¶17. Although the current amendment requires a holder of an authorization of a compulsory license to disclose certain information "online," USTR suggested that the amendment specify on what websites the information would need to be posted. TIPO noted that although TRIPS provided various options, TIPO intended that the information be posted on the company's website. They offered to look into the matter.

¶18. Concluding the discussion on this amendment, Bollyky inquired about the amendment specifically waiving data exclusivity requirements for these compulsory licensing cases. Again, TIPO stated that they had based their language on Canadian law.

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Timing the for IPR Legislation

¶19. Wang stated that TIPO anticipated a hearing in the Legislative Yuan in late March for the amendment of Article 76. If a number of divergent views are presented, additional hearings might be called. She was unsure what might be eventually modified or when it might come up for a vote. For the "paragraph 6" amendment, TIPO would continue its internal review. Timing for bringing the bill forward is still unclear, but she promised to keep AIT and the USG apprised of any developments on both amendments.

¶20. Regarding other IPR-related legislation, TIPO noted that legislation regulating peer-to-peer (P2P) file sharing should pass this session without controversy. Interparty negotiations on the bill had been settled on December 22, but the legislation stalled with other bills in the pre-recess gridlock. ISP liability legislation is still in draft. A new draft with more detailed provisions has been written. TIPO is hosting a seminar on March 27 featuring U.S. experts on copyright law and ISP issues in order to build consensus and move the issue forward. TIPO promised to pass a copy of the draft to USTR and to keep us posted on developments.

Parallel Imports and Help with Education Ministry

¶21. At the close of the meeting, TIPO Secretary General Margaret Chen raised two additional issues. She requested that the U.S. help TIPO in their dealings with the Ministry of Education (MOE). "TIPO has worked as hard as you," she stated, referring to her efforts to engage the MOE. She asked for USG assistance to help the MOE computer center build capacity to deal with IPR issues. She

specifically suggested that the USPTO or USTR work with TIPO to organize a seminar and invite a U.S. speaker.

¶22. As she has at prior meetings, Chen also raised the issue of relaxation of parallel imports and decriminalization of rental rights for optical media. She stated that Blockbuster Taiwan (Note: which was acquired last year by a local Taiwan company) has submitted a new proposal to deal with what she characterized as a monopoly on the local distribution of Hollywood features. Bollyky reiterated the negative response from U.S. industry, noting their concerns of an increase of counterfeit disks, pre-release theatricals, cheap disks from China, and an overall erosion of protections for rights-holders should restrictions on parallel imports be relaxed. Bollyky did agree, however, to read TIPO's communication on the matter.

Comment:

¶23. The meeting was constructive, friendly, and TIPO clearly understood the U.S.'s specific concerns about the proposed legislation. Although they did not make any commitments to alter the legislation, TIPO promised to take our concerns to the drafter of the first proposal, to carefully consider our concerns about the second, and to keep us posted on the progress. Post expects TIPO will take on board USG concerns regarding the bill they are drafting regarding Doha paragraph 6. The bill from the legislator, however, is a different matter. While we hope that he will revise his legislation, he has no obligation to follow TIPO's suggestions. AIT will continue to monitor the issue closely.

YOUNG